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Part V: ISSUES RELATING TO THE LEAST DEVELOPED COUNTRIES AND ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES */

B. Economic co-operation among developing countries

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Economic co-operation among developing countries

1. Stronger economic co-operation among developing countries (ECDC) has long been accepted as an important component of efforts to promote economic growth, technological capabilities and accelerated development in the developing world. It could enable them to exploit more effectively the latent complementarities in their economies, promote a fuller and more effective mobilization of their resources, gain access to additional resources and knowledge, and enhance the negotiating weight necessary to advance their common interests.

2. The recent changes in the global political and economic environment have made the role of ECDC in any global strategy of development even more important. In the new context of market-oriented reforms and export-oriented growth strategies that are being pursued by most developing countries, ECDC should also be seen as a means for developing countries of securing their effective integration in the world economy and of increasing their capacity to produce, achieve economies of scale and become internationally competitive.

3. The optimism of the 1970s about the potential of ECDC was not borne out by the record the of 1980s. Integration groupings in all regions were confronted with difficult circumstances. Their institutional frameworks and co-operation mechanisms proved inadequate to meet the crisis which member countries experienced in their external sectors. The intra-trade of developing countries suffered a setback and payments, clearing and credit arrangements functioned at a low ebb. South-South trade and economic relations remain the weakest link in the network of international economic relations.

4. Even so, interest in political support for ECDC has remained undiminished in recent years, and integration processes at the regional and sub-regional level have received fresh impetus. Virtually every sub-regional and regional grouping has taken initiatives to improve its instruments of co-operation and to adapt them to the new realities. There is currently a stronger recognition of the link that should exist between national development policies and long-term integration objectives.

5. The expansion of trade, which is at the centre of co-operation efforts within groupings, depends vitally on the reduction of tariffs, the elimination of non-tariff barriers, the introduction of more transparent and simple customs procedures, macroeconomic policy co-ordination to ensure the needed covergence of national price trends and exchange-rate stability, and effective clearing and payments arrangements as well as the improvement of physical infrastructures. Participants in regional and other co-operative arrangements among developing countries should intensify their efforts in all these areas. [UNCTAD secretariat and intergovernmental machinery should examine the benefits to be derived by developing countries from reduction of trade barriers and improved policy-co-ordination among them.] Regional co-operation also needs to extend beyond trade to such areas as training and research, environment, natural resources and energy.

6. At the interregional level, the GSTP Ministerial Meeting held in Teheran in the course of the Seventh Ministerial Meeting of the Group of 77 in preparation for UNCTAD VIII, adopted a Declaration launching the Second Round of Negotiations under the Global System of Trade Preferences (GSTP) among developing countries. In this connection the potential contribution of ECDC to the least developed countries trade and development was underlined, particularly in view of the provision for special treatment for the least developed countries in the GSTP Agreement and urged for continued translation of the provision for special treatment into concrete beneficial measures in favour of them. [Furthermore, it should be emphasized that transparency to the maximum extent possible will be required for the benefit of the world economy as a whole].

7. Developing country groupings have intensified their search for international financial support for economic co-operation programmes and projects. While the implementation and strengthening of ECDC is primarily the responsibility of developing countries, the international community should play a significant role in ECDC success through its financial assistance, technical co-operation and other support for specific economic co-operation programmes and projects of individual interregional, regional and sub-regional integration groupings, as well as for regional infrastructural projects covering such areas as environment, communications and transport infrastructure, to complement the efforts of developing countries to strengthen South-South trade and economic relations.

8. The demands of structural adjustment should not divert attention from long-term integration objectives. Adjustment programmes financed from bilateral and multilateral sources should as far as possible take into account their impact on regional co-operation and integration. Likewise, the allocation of aid resources should support regional trade liberalization processes among developing countries. The international community, including especially the developed countries, should support the efforts of the regional and sub-regional groupings of developing countries to promote and encourage enterprise and entrepreneurship.

9. Advisory and other technical assistance services of the organizations of the United Nations system for ECDC activities should also be intensified. In this context, UNCTAD should play an important role in furthering sub-regional, regional and interregional economic co-operation and integration among developing countries.

10. [Work on the main impediments and disincentives that adversely affect the expansion of trade among developing countries should be pursued. All countries and relevant institutions are invited to co-operate fully with the Secretary-General of UNCTAD in his consultations on the feasibility of establishing an interregional trade financing facility among developing countries as requested by the Trade and Development Board.]

[Existing national and regional trade financing schemes have performed an important role by financing a small share of a dynamic component of South-South trade. However, their resource base and ability to extend medium and long-term finance is small and has been restricted by the financial squeeze. Financial and technical assistance to these institution would enhance their efficiency and allow them to play a bigger role in promoting small and medium size expert oriented enterprises.

Work on the feasibility of the establishment of an international trade financing facility, to underpin the initiatives of the developing countries towards mutual trade liberalization, should be pursued. In this context, availability and accessibility to trade financing on appropriate terms and conditions from all sources, including such as an eventual ITFF, should be increased, with the objective to further the developing countries' exports and participation in world trade and improve their terms of trade.

The implementation of ECDC and its furtherance is the responsibility of the developing countries. However, the contribution of developed countries to these efforts is important, in particular, their participation in an eventual ITFF would be critical for its early success and marketability.]